



29th April 2019

Remote Area Tax Concessions and Payments
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

RCCIWA Submission to the Study on Remote Area Tax Concessions and Payments

The Regional Chambers of Commerce and Industry of Western Australia (RCCIWA) is a member driven not-for-profit organisation that represents 43 regional chambers of commerce, business associations and business networks in Western Australia who collectively represent over 9,000 regional businesses. We are committed to advocating on behalf of and raising the concerns and issues of all regional business communities in Western Australia with the aim of communicating the WA regional business voice effectively with all stakeholders and decision makers.

We know that having strong and sustainable regional communities is vital for this state and for Australia, and by working in collaboration we hope to achieve positive outcomes with an aim to deliver social, economic and community growth and development for all regional communities in Western Australia.

This letter forms our submission to the Study on Remote Area Tax Concessions and Payments with a focus on the current view of the remote concession and payments, unexpected impacts and consequences of the high cost of living in regional Western Australia and suggestions for more equitable and more effective system that will ultimately support regional growth.

How the Remote Area Tax Concessions and Payment system is currently viewed:

- Extremely complex and inconsistent
- Provides a disincentive for people to purchase or rent a property in their own name, effectively discouraging individuals to move to regional locations with an aim for a long-term commitment.
- Not understanding of the size and geographical spread of Western Australia, as well as where the centres for economic generation are located.
- Impacts negatively and discriminates against the small to medium enterprises of WA (SME's), which make up 97% of all businesses in WA. Many regional towns are made up solely of SME's (in fact solely of small businesses), so they need to be recognised and considered, and able to access FBT exemptions.
- Household water should be included as an exception in the same way fuel is
- Is outdated and not reflective on current business and economic drivers in Western Australia.
- Very high cost of compliance to the businesses regarding the legislative reporting requirements.

Consequences of the High Regional Cost of Living

It is important to note that people living in regional WA understand some of the higher costs associated with living in a remote area and do in fact accept some of them as just part of the package. Having said that, RCCIWA are of the strong view that there are many accumulative costs that people outside of regional areas just do not consider, which impact negatively on an individual or a family's decision to stay in the regions, or in fact move there in the first place. By providing fair and equitable remote taxes and concessions, there could be some relief for these cumulative costs. Some of the high costs we know of that deter people from staying or committing to regional locations are:

- High water usage charges (which for small business owners is becoming untenable in some locations)
- Fuel Costs – because of the distances often needed to travel for education, access to health service and good and services.
- Costs of rental accommodation – with restricted housing supply and the current tightening of lending in all regional areas by most financial institutions, renting is often the only option in the first instance. Combining this with rising economic activity (as we are currently seeing in the Goldfields and the Pilbara), weekly rent

becomes unaffordable. The SME sector are directly affected by this and finding reliable and affordable employees becomes impossible as the economic activities and demand for employees continue to rise.

- The very high costs of airfares in Regional WA – the impacts listed below go to the vast inequities of the cost of living pressures that face people living in regional WA. The high airfares combined with the vast distances in WA sees the following negative impacts which dramatically add to an escalated cost of living:
 - ✓ Most small to medium business owners have the need to travel to Perth various times during the year for business meetings, business opportunities, professional development, training, purchasing, improving their capacity. Because of the high airfares they often chose not to attend as they cannot justify the cost, and their capacity to grow and develop is negatively affected. If they then have to travel interstate or overseas for business opportunities they are further impacted, as the regional flight is usually the most expensive component.
 - ✓ Small to medium business owners choosing not to send their employees to Perth for training and development because of the cost.
 - ✓ Business owners in regional WA, view their airline services as unreliable, so if they are flying to Perth, for a specific meeting or time deadline many fly the night before, which takes them away from their business for longer as well as adding employee and accommodation costs.
 - ✓ Some small to medium business owners close their business whilst they need to travel elsewhere as they chose to drive. This affects their turnover and cash flow and also impacts on the community, by that business not being open.
 - ✓ Decreased access to services and industry professionals who choose not to deliver in regional towns and communities because of the financial cost to them. This also applies to Government agencies and departments who repeatedly run workshops in Perth and ask regional business owners to attend, as it is too expensive for the Government Agency to deliver the information/workshop in the regions. (If access to broadband was reliable this could be a solution).
 - ✓ Small to medium business owners not being exposed to different markets, global trends and research opportunities because the cost to fly out of their town is too expensive, and they do not have the time to drive.
 - ✓ Small to medium business owners feeling isolated and disconnected from their families in their communities, particularly if new to the locations. The long term impact of high air fares, can be that within three to five years of locating to a region to buy a business they end up returning to Perth as they were unable to get to Perth as often as they had planned, and they did not get the visitors they expected.
 - ✓ Lost opportunities – new customers to their regional location, increased business, more traffic, more exposure, diversifying their local economic drivers.
 - ✓ Because of the cost of accessing regional centres is so high many regional locations see an exodus of local residents by road, which impacts on all local businesses. So instead of making a 48-hour trip to Perth, they pack up the whole family and travel to Perth for two weeks, spending their money outside of their community.
 - ✓ Residents feeling isolated and disconnected from their families in their communities, particularly if new to the locations. The long-term impact of high air fares can be that within three to five years of locating to a region, they end up returning to Perth as they were unable to get to Perth as often as they had planned, and they did not get the visitors they expected.
 - ✓ As many people chose to drive to Perth instead of flying because of the cost, there is a serious fatigue implication. The rise in the number of fatalities on our regional roads could be considered in regards to this factor.
 - ✓ Many residents of regional locations chose to send their children to metropolitan based boarding school for their education, and often end up purchasing property in Perth and eventually moving there as the costs to visit their children, and for their children to return home becomes unsustainable.

- ✓ If people have to travel to Perth with little notice for an emergency (such as a family funeral), the high cost of the air fare adds enormous emotional pressure and stress to their already difficult situation.
- ✓ The reputation of the whole regional community as being really expensive to get to, is impacted and can have long term affects in affecting the decision-making process who may be thinking of relocating to regional towns or cities at some stage in the future.

Suggested changes to the Remote Area Tax Concession and Payments

- Allow employer provided and employee provided housing benefits for remote area employees
- Remove all of the complexities and inconstancies of the whole process currently which add large costs of compliance and not equitable to all employees.
- Increase the 50% reduction of taxable value under the Remote Area Housing Assistance under section 60 of the FBT act to 100%. This will greatly assist in easing confusion and will remove inconsistency.
- Household water usage to qualify for the 50% FBT exemption, treated the same as fuel usage.
- Ensure SME business are considered in making final recommendations, as the current remote FBT framework benefits larger businesses over SME's. As stated previously over 97% of all businesses in WA are SME's and they are absolutely vital and essential divers of our regional towns and cities.

We are of the strong view that there needs to be a more consistent remote concession and payments system that encourages people to move to regional locations as a committed residential workforce or as a business owner and employer.

We also know that the burden of the costs of compliance (of all compliance) is having a detrimental impact on many small business owners and often is the reason why they chose to cease operating. Small businesses are genuinely recognised and acknowledged as the engine room of any economy and more must be done to ease the pressure, reduce their costs of compliance and make it easier for them to do business and thrive.

All regional towns and cities currently have a focus on improving liveability and attracting more people to live and contribute economically in their communities. This is the key to sustainable economic, social and community development in the locations where the economic generators are located. A stronger Regional WA means a stronger State.

On behalf of the RCCIWA, I look forward to working with The Productivity Commission throughout this important process and in providing further input prior to the report being finalised. Please note that if you are intending on travelling to regional areas to hold consultations, please let us know and we will ensure our networks are informed. We can also connect you with many regional contacts if you are needing them. If you have any further questions or need any more information please contact me on 0438 913 303 or at ceo@regionalchamberswa.com.au.

We thank you for the opportunity.

Yours Sincerely,

KProdonovich

Kitty Prodonovich
CEO